

SPEECH BY: Dato' Seri Dr. **Mahathir** Bin Mohamad
(Prime Minister)

EVENT: At The Dinner Hosted By The Lebanese Chamber of Commerce and Industry

VENUE: Beirut, Lebanon

DATE: 17 Jun 1997

TIME:

1. Firstly, let me thank the Lebanese Chamber of Commerce and Industry for giving me the opportunity to address this gathering of prominent members of the Lebanese and Malaysian business community.
2. Bilateral trade between the Republic of Lebanon and Malaysia, although small in relation to Malaysia's global trade, has been growing steadily. It grew from US \$10.5 million in 1992 to US \$22.2 million in 1996, with the trade balance in Malaysia's favour. In 1996, Malaysia exported US \$21.9 million worth of goods to Lebanon as compared to US 18.8 million in 1995. Major export items to Lebanon were radio and television receivers, heating and cooling equipment and rubber tyres. As for imports, Malaysia imported from Lebanon goods amounting to US \$290,000 in 1996, as compared to US \$950,00 in 1995. Major imports from Lebanon comprised printed matters and food processing machines.
3. Certainly, there is considerable scope for expansion of bilateral trade and investment between Lebanon and Malaysia. Given the numerous opportunities and incentives for trade and investment in our two countries, the time has come for us to foster strategic linkages in order to create partnerships in economic development.
4. We, in Malaysia, are encouraged by the economic and fiscal reforms undertaken by the Government of Lebanon. I am made to understand that the on-going economic liberalisation and incentive schemes for foreign investments and joint ventures have already laid the foundation for increased growth in the key sectors of the economy. These incentives and liberalisation policies will surely create greater confidence among foreign investors, hence, paving the way for increased prospects of economic growth in Lebanon.
5. As for Malaysia, we have found that foreign investment has helped to transform our economy. Investments have provided jobs, foreign exchange, transfer of technology, expanded our industrial base and provided linkages between the agricultural and industrial sectors.

It has also spawned the growth of small and medium-scale industries (SMIs). Now Malaysian companies have emerged which have the capacity and the technology as well as management expertise to go into many fields. Today domestic investments contribute more towards the economy than foreign and they are now able to invest in other countries. We feel quite safe that it was the initial foreign investments which are responsible for our economic performance.

6. It is also our experience that to ensure the success of market reforms and to reinforce economic growth, infrastructure development is a necessary prerequisite. I believe that the Lebanese and Malaysian public and private sectors can complement each other in the fields of economic and social development. For countries like Malaysia, an open and liberal, multilateral trading system is essential in order to continue to develop and progress. Being an export-oriented economy, Malaysia attaches great importance to establishing strong trade links with its traditional trading partners as well as with the new partners. The private sectors of our countries could perhaps consider establishing a joint business council in order to cooperate for trade and investments in each other's country.

7. My visit to Lebanon reflects Malaysia's earnest desire to strengthen the ties between our two countries. I look forward to our special relationship being further nurtured through the regular exchange of visits, the implementation of concrete action programmes and increased activity between the public and private sectors of Lebanon and Malaysia in the years to come. To facilitate this bilateral cooperation, the Governments of our countries have taken steps to put in place the necessary framework agreements for the conduct of commercial and economic relations. We have already signed an Air Services Agreement which has facilitated travel between our two countries. We have also signed a bilateral Trade Agreement in 1995 which would help our traders to expand their business in both countries.

8. Over the past decade, Malaysia has recorded a buoyant economic growth of above 8 percent per annum. Last year, the Malaysian economy strengthened further attaining a growth rate of 8.2 percent, which is among the highest in the world. This year, we are confident that we would be able to achieve a growth rate of about 8 percent.

9. The Malaysian government plays a strong facilitating role in providing a climate conducive to trade and investment. This has attracted not only domestic investment but also substantial foreign direct investments which bring along benefits such as capital, technology and

overseas market linkages. These are some of the factors that have encouraged more than 3,000 manufacturing companies from over 35 countries to make Malaysia their offshore production base.

10. Today, the thrust of our industrial policy is towards developing industries which are export-oriented with high value-added, high technology, high local content and having strong linkages with the domestic economy. Having outgrown the era of labour intensive industries, our emphasis is now on the development of capital intensive and technologically sophisticated industries. There will also be a growing emphasis on productivity and quality-driven growth through skills upgrading, capital deepening and technological development to increase Malaysia's competitiveness.

11. Lebanese business and industry have generally concentrated their investments in countries with which they are familiar and have had long traditional links. Lebanese investors looking at Malaysia should not only look at the market in Malaysia alone, but the regional market of ASEAN and beyond. ASEAN commands a potential market of 440 million people. Last year, ASEAN economies had registered robust growth of about 7 percent and intra-ASEAN trade had amounted to some US\$130 billion. This year, ASEAN economies are further poised to grow at an average rate of 8 percent. With the admission of Laos, Cambodia and Myanmar into this regional grouping, the 10-nation ASEAN will have a total population of almost half a billion.

12. When the ASEAN Free Trade Area (AFTA) is fully implemented by the year 2003, there will be a single ASEAN market in which tariffs for ASEAN manufactured products will not exceed five percent and with the majority attracting zero tariff. This huge and dynamic regional market would, in itself, be attractive to foreign investors who can locate their operations in one ASEAN country to serve the whole region. In this respect, I would like to encourage the Lebanese entrepreneurs and investors to increase their business presence in this region by using Malaysia as a springboard for the production and distribution of their products in this region.

13. To complement and enhance Malaysia's regional and international linkages, the island of Labuan has been designated as an International Offshore Financial Centre with the necessary infrastructure support and facilities put in place. An attractive package of fiscal and non-fiscal incentives have also been offered to companies that locate their regional headquarters in Malaysia, which are comparable to the best in the region.

14. To date, I understand no Malaysian companies have invested in Lebanon as yet. I, therefore, would like to take this opportunity to reiterate our interest and readiness to participate in various sectors of development in Lebanon such as infrastructure development, housing and construction, telecommunication networks, power generation and distribution, banking and financing sectors.

15. On the trade front, Lebanon has been importing increasing numbers of electronics and electrical goods as well as rubber-based products from Malaysia. I hope you will also begin to source other products such as building materials, chemicals, medical equipment and supplies, foodstuff, wood-based and plastic products, household items, automobile spare parts and accessories. In addition, I hope we can move ahead together in creating more value-added products from these items for exports to the other emerging West Asian markets.

16. On the other hand, manufacturing companies from Lebanon could explore the possibilities of establishing mutually beneficial joint-venture companies in the following industrial sectors:-

- (i) The resource-based industries that utilise Malaysia's abundant natural resources such as rubber, timber, palm oil, cocoa, tin and clay, to manufacture higher value-added products, especially products for the export markets;
- (ii) The agro-based sector such as the cultivation and processing of fruits and vegetables, and breeding, rearing and or culture of livestock and aquatic products;
- (iii) Ancillary and supporting industries that will provide the necessary linkages to the established larger industries, such as moulds and dies and sub-components; and
- (iv) Manufacture of industrial machinery and parts, tooling, machine tools and related engineering products.

17. Some countries may have cheaper land prices, lower rentals and lower wages than Malaysia but we continue to offer a stable, strong and business-friendly government, consistent policies, a safe and healthy environment, and forward-looking, dynamic and innovative economic regime to help investors succeed without undue constraints.

18. I would, therefore, like to take this opportunity to once again invite all Lebanese businessmen to take a

keener interest in Malaysia and seek out trade and investment opportunities both in Malaysia and, jointly with Malaysian businessmen, in third countries. Likewise, Malaysian businessmen should identify goods that we can import from Lebanon including foodstuff. Malaysia should explore mutually beneficial ventures that would bring more meaningful and lasting benefits to both our people. For a relatively small country Lebanon has had a very significant impact on the economies not only of West Asia but also Africa. It is time that Lebanon involves itself in the Malaysian and South East Asian economies. Cooperation with Malaysians should help this process.

FILE NAME: SP1706